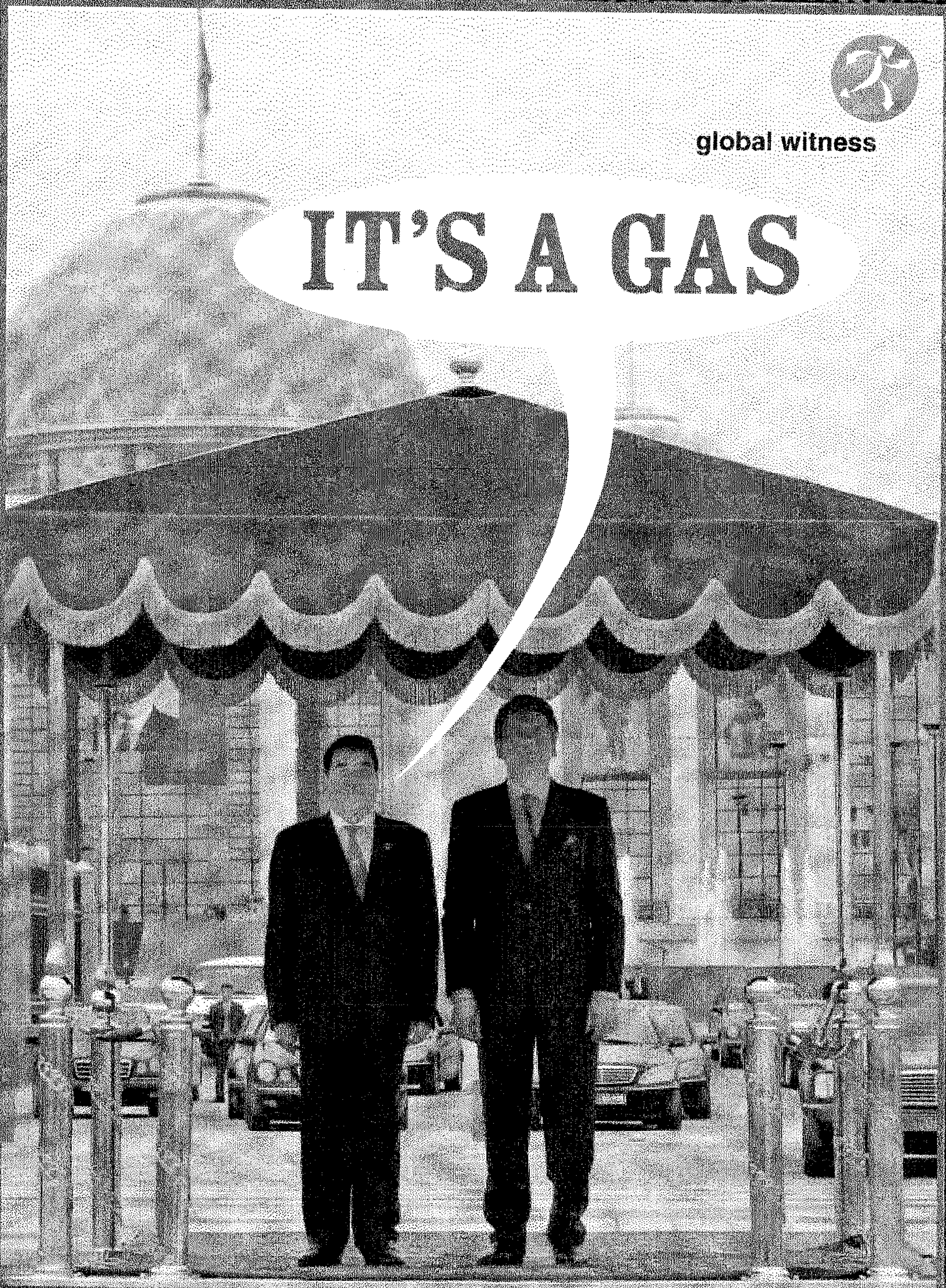
EXHIBIT 18



FUNNY BUSINESS IN THE TURKMEN-UKRAINE GAS TRADE

A REPORT BY GLOBAL WITNESS · APRIL 2006

Contents

global witness

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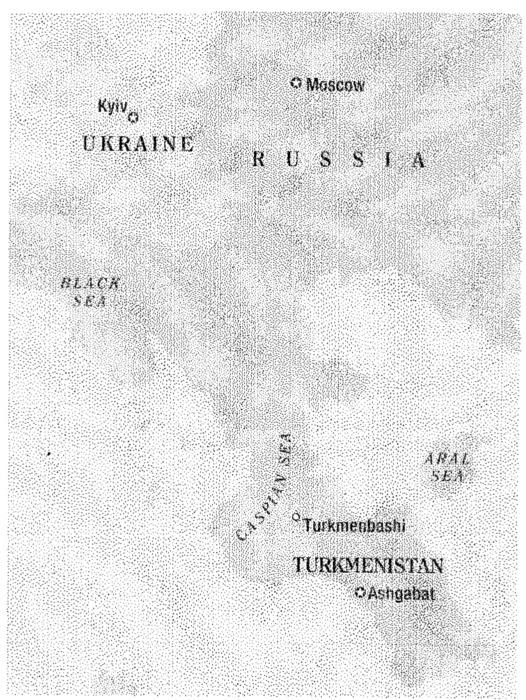


Recommendations

The governments of the Russian Federation and Ukraine should:

- Require any companies employed in the transportation of Turkmen gas to be transparent, independently audited entities that make public the identities of all their shareholders and beneficiaries;
- Avoid the use of barter transactions in gas deals;
- Adopt best international practice in the publication, auditing and citizen oversight of natural resource revenues, drawing on such models as the Extractive Industries Transparency Initiative (EITI) and the International Monetary Fund (IMF) *Guide to Resource Revenue Transparency*.

The government of Ukraine should:

- Renew efforts to investigate alleged impropriety by government officials and intermediary companies, publish the results of investigations and, if wrongdoing is established, prosecute those responsible;
- Publish full, independent audits of the state oil and gas company Naftohaz Ukrainy for the years where information has not previously been available (that is, for most of the company's existence).

The government of the Russian Federation should:

- Show leadership on its G8 Presidency theme of energy security by investigating all credible allegations of wrongdoing in its natural gas sector and by endorsing and adopting best practice in revenue transparency;
- Ratify the Energy Charter Treaty and its Protocols which would provide for more transparent transit arrangements for gas and oil and provide for a rules-based approach to dispute resolution;
- Extradite former Naftohaz Ukrainy chairman Ihor Bakai to Ukraine where he is wanted on charges of the misuse of state funds.

The government of Turkmenistan should:

- Provide for a full, independent and published audit of all off-budget funds and adopt best practice in disclosure and management of natural resource revenues according to the EITI and the IMF *Guide to Resource Revenue Transparency*.

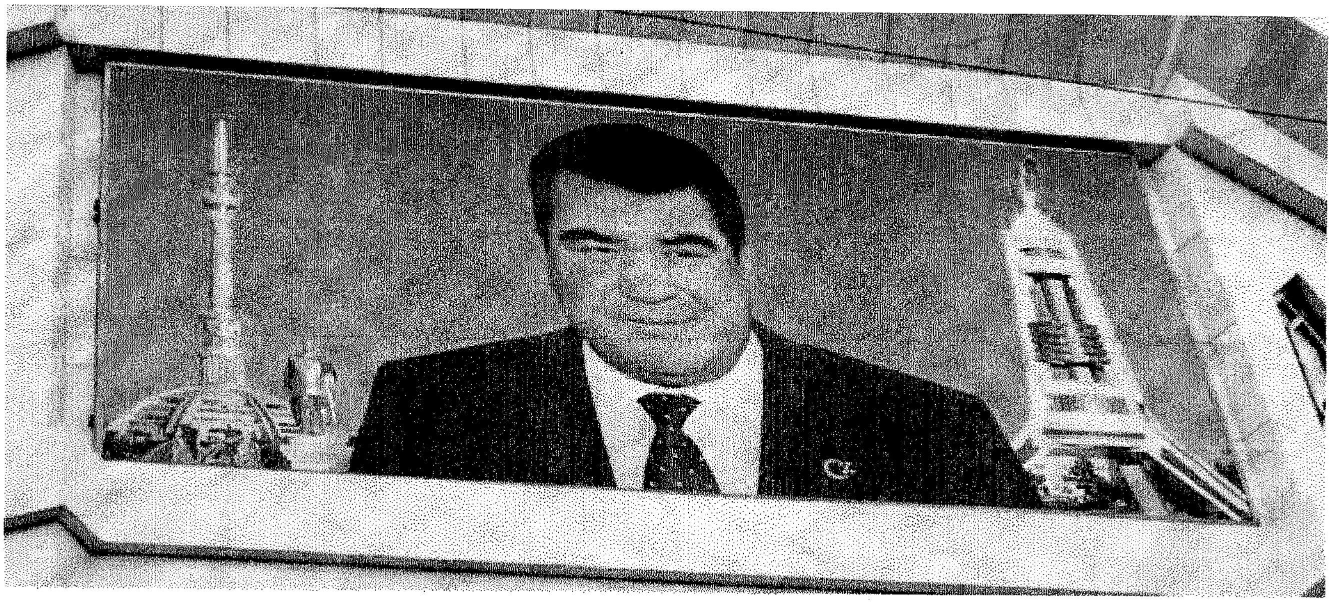
The government of Germany (and the governments of other EU member states) should:

- Tighten banking laws to prevent the use of domestic banks by foreign public officials who, like President Niyazov of Turkmenistan, are not subject to even a basic degree of public accountability for their use of state funds.

The European Union should:

- Not enter into any agreements with Turkmenistan, concerning trade or otherwise, until its government makes a commitment to, and shows measurable progress towards, implementing basic norms of fiscal transparency as defined, for example, in the IMF *Manual on Fiscal Transparency* and *Guide to Resource Revenue Transparency*;
- Recognise that good governance in neighbouring countries in the former Soviet Union, the Middle East and North Africa which provide energy to Europe, whether as producers or transit countries, is inextricably linked to the security of Europe's energy supplies;
- Make the promotion of transparency and improved governance in the energy industries of neighbouring countries a top policy priority. This theme should be embedded in all the EU's neighbourhood agreements signed with resource revenue-dependent countries and in the diplomatic, aid and trade activities of the EU and its member states. This work should include capacity-building assistance to help civil society groups in these countries act as independent monitors of their energy industries;
- Encourage all resource revenue-dependent countries in Eastern Europe, the Middle East and North Africa to join the EITI and implement the provisions of the IMF *Guide to Resource Revenue Transparency* and provide technical assistance to help them do so.

Summary



This is the story of a trade that brings natural gas from the Central Asian country of **Turkmenistan** through **Russia** and **Ukraine** to the **European Union** (EU). Far from being open to scrutiny by the citizens of these countries, this trade has long been controlled by a handful of people and a series of mysterious intermediary companies. Although the business is worth billions of dollars a year, it is still unclear where much of this money goes.

The EU is increasingly reliant on gas supplies from the former Soviet Union. The gas price dispute between Russia and Ukraine in the winter of 2005/6 sent shivers of anxiety across Europe that, in the depths of winter, the continent might not get enough fuel to keep warm and power its industries. Yet the dependence of EU countries on gas from Russia and Central Asia is only likely to grow. This report poses a difficult question for the EU and its neighbours: can they meet their energy needs without funding corruption and undermining good governance in the countries that supply or transport this energy? The time has come for transparency in the natural gas trade, to the benefit of citizens across the region.

The dictator and Deutsche Bank

The story starts in the Central Asian country of Turkmenistan, a former Soviet republic that is crumbling under the tyranny of its president, **Saparmurat Niyazov**. Turkmenistan is thought to earn more than US$2 billion per year from natural gas but its citizens have no information as to where that money is going because the revenues are managed in a completely opaque way. It is clear that the money is not being spent on them: standards of health, education and living quality have plummeted since independence in 1991. Political freedom is non-existent, censorship is total and over half the population is unemployed. Despite its gas wealth, Turkmenistan's citizens are worse off than in Soviet times.

Global Witness has discovered that President Niyazov keeps most of the gas revenues under his effective control in overseas and off-budget funds. Indeed, a horrifying 75% of the state's spending also appears to take place off-budget. Global Witness has received several credible estimates that the total money under Niyazov's control and held overseas is likely to exceed US$3 billion, some US$2 billion of which appears to reside in the **Foreign Exchange Reserve Fund (FERF)** at **Deutsche Bank** in Germany.

Global Witness has discovered that, according to a 2001 contract, gas revenues from 2002 to 2006 were intended to be paid into Central Bank of Turkmenistan account no. 949924500 at Deutsche Bank, Frankfurt, but little else can be determined about exactly how Niyazov is managing Turkmenistan's money. Most worrying of all, it seems that no money from the sale of Turkmen gas even makes it into the national budget.

Niyazov appears to use these revenues to fund an increasingly bizarre personality cult replete with golden statues and lavish palaces. His picture is everywhere in Turkmenistan: on public buildings, on packets of salt and tea

bottles of vodka and even floats eerily in the corner of television broadcasts. 'Turkmenbashi the Great' (Niyazov's appointed name, meaning 'the great leader of the Turkmen') has gone as far as to rename days and months of the calendar in an attempt to assert his hold over the Turkmen psyche. Schoolchildren are compelled to study his spiritual book, the *Rukhnama*, which is described on its official website as being 'on par with the Bible and the Koran'.

Shenanigans in Ukraine's gas industry

Most exported Turkmen gas is sold to Ukraine, and growing volumes are resold from there to European countries such as Poland and Germany. Ukraine is the transit point for more than a quarter of Western European gas imports from Russia and Turkmenistan and a major gas user in its own right. Ukraine has historically paid for much of its Turkmen gas supplies not in cash, but through the barter of chemicals, food, raw materials and machinery. This made sense in the past, given Ukraine's high inflation and shortage of hard currency, but as this report explains, barter as a form of trade is inherently vulnerable to mispricing, tax evasion and corruption.

Ukraine's gas industry has itself been mired in suspicious practices and mismanagement since the early 1990s. Under the presidency of Leonid Kuchma, Ukraine's energy sector became a highly politicised battleground for patronage; in many ways, it still is. The recent US trial of ex-Ukrainian premier **Pavlo Lazarenko**, who was in charge of allocating gas quotas to private companies, highlighted his extensive range of business enterprises that ran concurrently with his time in government. In 2005, Lazarenko was found guilty of money laundering and wire fraud. Though he was not found guilty on charges relating to his dealings with private gas companies, testimony from the trial highlighted payments from such a company to Lazarenko that have yet to be explained.

Following Lazarenko's dismissal as prime minister, the creation of Ukraine's state oil and gas firm **NAK Naftohaz Ukrainy** in 1998 allowed Kuchma to retake control of this lucrative sector. The man picked as its first chairman, **Ihor Bakai**, maintained a very close relationship with Kuchma until Bakai resigned amid allegations of corruption. Bakai is now wanted in Ukraine on criminal charges relating to his work in government positions following his time at Naftohaz. His successors seemed to have done little to approve the mismanagement of the state oil and gas company. Global Witness has obtained an unpublished audit which reveals the hair-raising practices of Naftohaz under **Yuri Boiko**, its chairman from 2002 to 2005, which are detailed in this report.

'Fishing in murky waters': the story of the intermediary companies

Perhaps the murkiest and most complex aspect of the Turkmen-Ukraine gas trade is the role of the intermediary companies that have inserted themselves for more than a decade between Turkmenistan, Russia, Ukraine and Europe. These companies have often come out of nowhere, parlaying tiny amounts of start-up capital into billion-dollar deals. Their ultimate beneficial ownership has been hidden behind complex networks of trusts, holding companies and nominee directors and there is almost no public information about where their profits go.

Turkmen gas can only reach Ukraine via pipelines controlled by Russia's **Gazprom**, the world's largest gas company, which is 51% owned by the Russian government. But instead of shipping the gas itself, Gazprom has let this lucrative role be taken over by the intermediary companies, some of whom were paid in Turkmen gas which they resold in Europe for up to four times the price. Why would Gazprom, in effect, give up these lucrative markets and their profits to potential competitors? There is an argument that the intermediary companies were better able than Gazprom to extract payment from cash-strapped Ukraine without upsetting Russian-Ukrainian relations. But recent explanations from Russia and Ukraine for the use of intermediaries have been inconsistent. Furthermore, the opacity of these companies raises questions as to whose interests they truly serve.

Despite persistent questions about the intermediary companies, against a backdrop of public concerns about official corruption and organised crime in the countries of the former Soviet Union, there has never been sustained, thorough and high-level oversight of these companies, and the structures and people involved in them. It is nigh on impossible to discover who sits at the centre of these corporate webs and thus to whom the profits from the transportation and sale of natural gas are going. An investigation into these matters must now happen in the public interest.

RosUkrEnergo and Ukraine's winter of discontent

This report looks at four intermediary companies which have straddled the Turkmen-Ukraine gas trade, one after the other, since the early 1990s: each raises troubling questions about transparency and governance. The most recent, **RosUkrEnergo**, is jointly owned by Gazprom and a unit of Austria's **Raiffeisen Zentralbank.** The latter is managing its shareholding on behalf of a consortium of Ukrainian

businessmen who have refused, despite fierce controversy in Ukraine, to disclose their identities to the public.

Ukraine's Orange Revolution, which put reformist president Victor Yushchenko into power in January 2005, has failed to clear up the mystery of who is behind this company. High-level Ukrainian sources have alleged to Global Witness that Ukraine's security service launched a criminal investigation into RosUkrEnergo and other intermediary companies shortly after President Yushchenko took power. Those sources also claim that enquiries came to an abrupt halt following Yushchenko's dismissal of the Ukrainian government and the resignation of its security chief in September 2005. Current Ukrainian security officials now deny that any such investigation took place. Against the background of this confusion, critics might question Yushchenko's political will to confront Kuchma's legacy of opaque and unaccountable business practices.

No wrongdoing has been established on the part of RosUkrEnergo, but the questions remain. Even though the chairman of Russia's Gazprom himself described the Ukrainian investigation into RosUkrEnergo as 'fishing in murky waters', Gazprom had previously agreed to this intermediary company's creation. Despite these questions, the major gas dispute between Russia and Ukraine in the bitter winter of 2005/6 ended in a deal between the two countries which led to RosUkrEnergo becoming the exclusive supplier of Turkmen gas to Ukraine in January 2006 and taking a share of the country's domestic market as well.

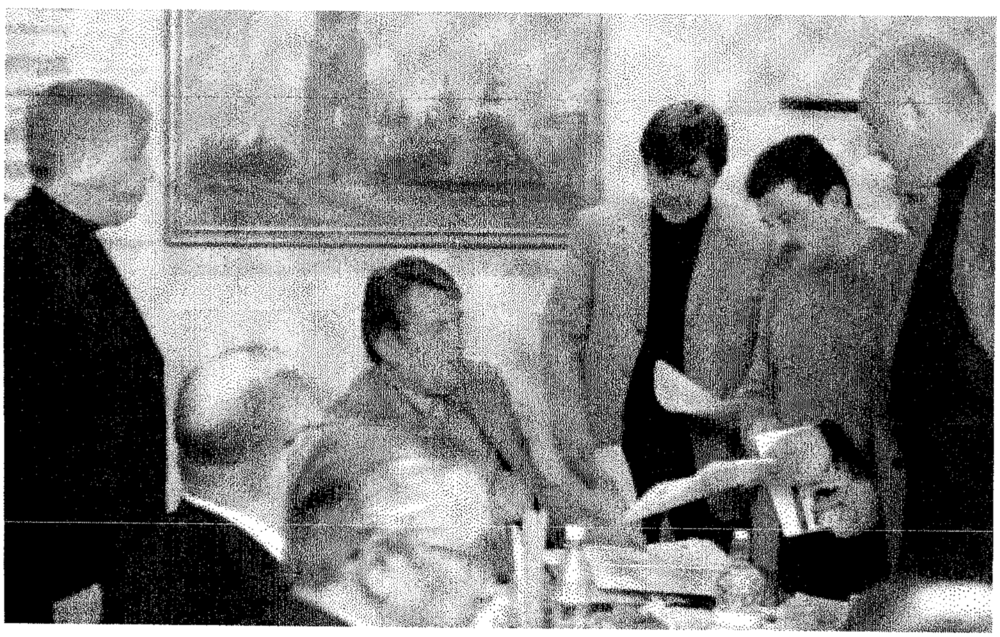
The gas price deal deviates sharply from industry best practice. It consists of a mere two sheets of paper signed by current Naftohaz chairman Oleksei Ivchenko (whose authority to sign such a deal on his own was widely questioned in Ukraine). The contract appears to assign all of Ukraine's future gas imports to RosUkrEnergo. It also appears to allow for negotiations on the price of Ukraine's gas imports to be reopened after six months, even though Naftohaz says the price is set for five years. Such confusion, and the possibility of further unexpected price hikes, is obviously not good for the energy security of Ukraine or gas customers downstream in Europe.

Documents seen by Global Witness highlight a curious relationship between RosUkrEnergo and the state-controlled Naftohaz Ukrainy after the former's creation in 2004. Although Naftohaz has no apparent investment in RosUkrEnergo, both the then-chairman (Yuri Boiko) and his deputy (Ihor Voronin) of Naftohaz held strategic positions on the coordination committee of this private intermediary company in the first year of its existence. It is unclear why a private company, 50%-owned by persons unknown, chose two top Ukrainian public officials to represent it. Also still to be fully explained are the roles of three British businessmen, Robert Shetler-Jones, who was also on RosUkrEnergo's coordination committee, and his associates David Brown and Howard Wilson, who have been associated both with RosUkrEnergo and the company that came before it, Eural Trans Gas.

Eural Trans Gas and the mysterious Mr Firtash

Eural Trans Gas (ETG) was founded in Hungary in late 2002 with a start-up capital of just US$12,000. Although the current management of RosUkrEnergo has made statements that distance it from ETG, Global Witness investigations have discovered that the links between the two are more extensive than they first appear.

ETG's early shareholders were an Israeli lawyer and three hard-up Romanians with no connection to the gas industry, one of whom was an out-of-work actress who says she took part in order to pay her phone bill. The day after ETG was founded, it received a contract to transport Turkmen gas to Ukraine, in return for



President Yushchenko has some explaining to do about Ukraine's gas deal. AFP/Getty/Pool

gas worth up to US$1 billion on European markets. It then appointed as its chairman the former chairman of British Gas, Cedric Brown, who had become a controversial figure in Britain in 1994 after being awarded a massive pay increase. Far from objecting to this unknown company apparently taking a lucrative slice of its business, Gazprom provided ETG with financial guarantees worth US$227 million.

It seems that Naftohaz and Gazprom first intended to set up a joint venture for the transportation of Turkmen gas but this is not what ETG became. Global Witness has discovered that three companies which bought shares in ETG, each based in a different country, are all ultimately linked to, and in two cases controlled by, the same companies in Cyprus whose beneficial owners are unknown. The role of the man who appears to have had ETG registered in the first place, Ukrainian businessman **Dmytro Firtash**, has never been properly explained.

Before ETG came **Itera**, which received hundreds of millions of dollars in loans from Gazprom, and whose top managers included a former deputy prime minister of Turkmenistan. Once again, it is not clear why Gazprom appears to have given up both the transit business and markets in former Soviet Union countries to Itera, which depended on Gazprom's own pipeline network. Documents seen by Global Witness show that in 2000, Gazprom bought Turkmen gas from Itera that it could have bought more cheaply from Turkmenistan itself.

Itera was preceded by a company called **Respublika** which swapped Ukrainian goods for Turkmen gas in a series of bizarre barter deals, such as 12 million pairs of galoshes for Turkmenistan, a desert country which then had a population of about four million people. Respublika's head, Ihor Bakai, later became head of Naftohaz Ukrainy, the Ukrainian state oil and gas company and, as noted earlier, is now wanted by the Ukrainian authorities.

Time for transparency in the gas trade

The lack of transparency in the Turkmen-Ukraine gas trade exemplifies a wider problem in the global oil and gas industries. Oil, gas and mining companies rarely provide even basic information about their financial interactions with governments in countries where they operate: governments are similarly reticent about the revenues they earn from these industries. This opacity has allowed crooked officials and businessmen in many countries to misappropriate vast sums in revenue, as documented in recent scandals in Kazakhstan, Angola, Equatorial Guinea, and many other resource-rich countries. The result is unaccountable government, corruption, social decay, increased poverty and the reinforcement of authoritarianism, which can ultimately lead to state failure and the spread of instability across regions.

There is an emerging international consensus that full public disclosure of revenue flows, combined with active monitoring by civil society groups in resource-rich countries, could make criminal activity much harder to hide and give citizens a better chance to hold their governments to account for the use of these revenues.

The main international vehicle for revenue transparency at the moment is the **Extractive Industries Transparency Initiative (EITI)**, which was launched in 2003. The EITI promotes the full disclosure of payments by oil, gas and mining companies to governments, the disclosure of government receipts, the use of independent audits, and active monitoring by civil society groups to track money into the state's coffers. Most of the world's major international oil and gas companies and some 20 governments have now endorsed the EITI. Although it will be a long struggle to turn these rhetorical commitments into practice, the EITI is gaining international momentum and provides a template for possible reforms across the former Soviet Union.

Another model is the **International Monetary Fund's** *Guide on Resource Revenue Transparency*, which offers a template for measuring the openness of governments in resource-rich countries and suggests a path for reform that such governments can follow.

Azerbaijan and Kyrgyzstan are both actively implementing EITI standards in their oil and mining industries respectively, while Kazakhstan has promised to follow suit. Although it is hard to imagine Turkmenistan joining EITI under the secretive reign of President Niyazov, there is no reason for Russia and Ukraine not to draw on the EITI and on the IMF principles in managing the money garnered from natural resources.

Russia holds the G8 presidency through 2006 and its chosen theme is energy security, so now is the time for a clean-up of the energy industry, including an end to the use of opaque intermediary companies. Russia should also ratify the international **Energy Charter Treaty**, which it has already signed, because the Treaty provides for more transparent transit arrangements and a rules-based approach to dispute resolution (Ukraine, most EU states, and some countries in Central Asia are already members). Without transparency there cannot be predictability, and without predictability there cannot be security of energy supply.

Time for the European Union to get its act together

The European Union needs to take a much greater interest in the problem of energy and transparency than it has to date. Europe is ringed by an arc of countries, from Algeria in the south to Ukraine in the northeast, which either produce energy for export to Europe or take part in its transit from third countries. The EU has been slow to act on the recognition that good governance in these countries is essential to the long-term security of Europe's energy supplies, and that transparency, by enabling public oversight, is a crucial factor in good governance. Current debates within Europe about a **common EU energy strategy**, as proposed by the European Commission Green Paper, *A European Strategy for Sustainable, Competitive and Secure Energy* of March 2006, offer a chance to factor such concerns into European thinking.

The EU and its member states could do much more to promote the transparency of oil and gas revenues in neighbouring countries and persuade them, via its diplomatic, aid and trade interactions, to make their public finances more open. Europe could also do much more to build the capacity of local civil society groups to monitor the flow of revenues and hold government officials to account, and to ensure that its own banks and companies do not collude in corruption or the looting of public money from resource-rich countries.

It is hard to see how **Germany's** vital interest in the security of energy supply can be reconciled with a preparedness by Germany's biggest and most prestigious bank to act as banker to an unhinged tyrant whose arbitrary handling of Turkmenistan's gas resources is driving its economy into the ground, with potentially injurious consequences for the future peace of Central Asia.

It is deeply concerning that the banking laws of Germany (and other industrialised countries for that matter) do not prevent the country's financial system from being used as a piggy bank by megalomaniac dictators who have no accountability to their own people for their uses of state funds. A figure such as Niyazov, who is not subject in practice to any basic checks and balances, can dispose of state funds through the banking systems of Germany and other European countries without anybody knowing what exactly it is that he does with the money.

Time for Ukraine to open the books

Ukraine's Orange Revolution promised reform and a clampdown on the corruption that had plagued the presidency of Leonid Kuchma. The new government must not go back on these promises and should continue investigations into the companies and personalities named in this report. At the time of writing, parliamentary elections had just taken place: whatever administration emerges, Ukraine needs clear reforms to promote open and accountable management of its gas industry, including the declaration of the beneficial owners of key companies such as RosUkrEnergo. Without these reforms, the transit of gas to Ukraine will continue to be a highly politicised, opaque and unstable business.

The new government should also investigate the accounts of the state oil and gas company, Naftohaz Ukrainy, from 1998 to 2001, when no proper audits were published, or, it seems, even carried out. It should publish credible and independent retrospective audits of Naftohaz Ukrainy's accounts relating to the company's activities in 2004 and 2005; audits concerning these years are yet to materialise on the company's website.

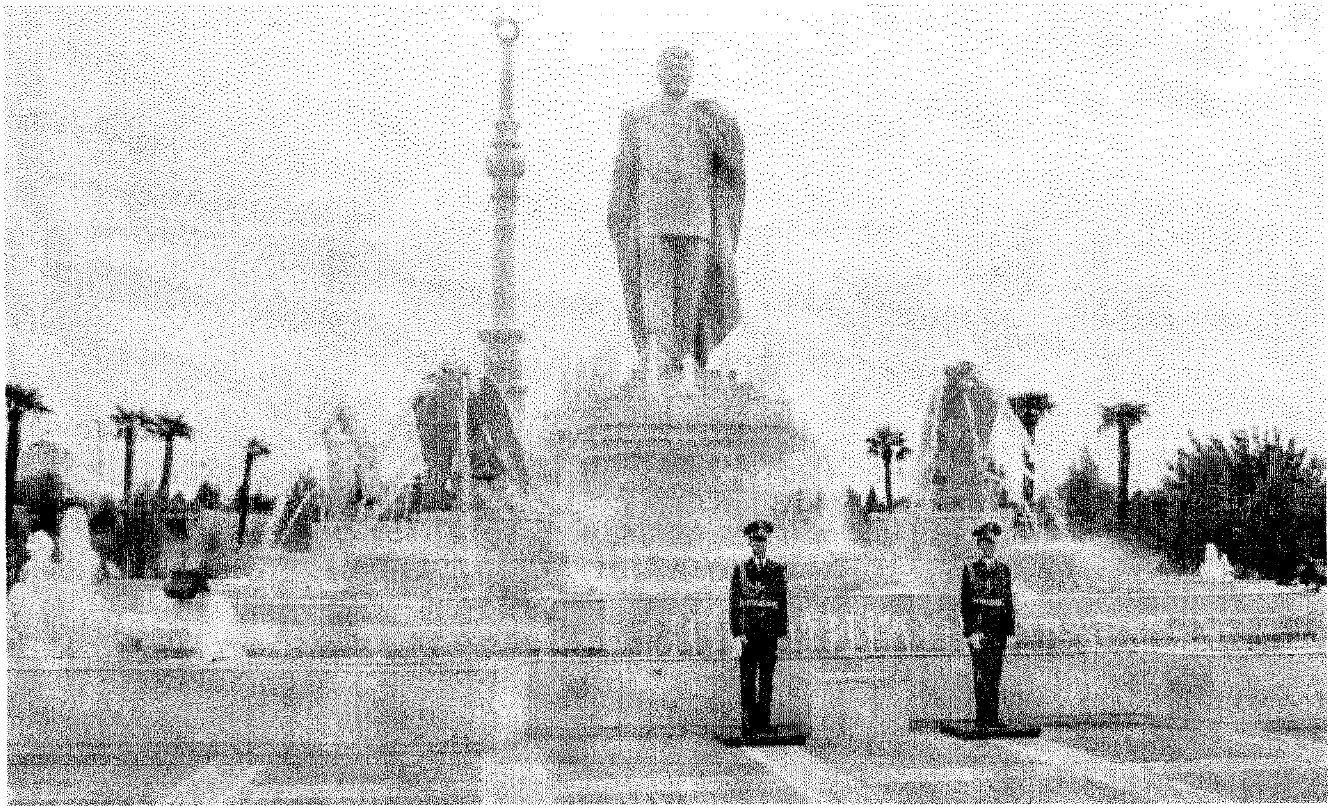
In the longer term, Ukraine should work with donor governments and multilateral institutions like the European Bank for Reconstruction and Development and the IMF to improve transparency of revenue flows from resource extraction and from transit fees, and build effective mechanisms for independent public oversight.

Turkmenistan on the brink

Turkmenistan and its intransigent president pose a particular challenge for the international community, which must use what leverage it has to press the government for more accountability. This could be done by promoting transparency in the gas trade downstream of Turkmenistan, to make clear how much money the country should be earning. Europe should not reward this despotic government for its refusal to reform, and there should be no expansion of existing EU relations with Turkmenistan, whether in the form of trade agreements or otherwise, until the latter shows a genuine and measurable commitment to apply the basic norms of accountable public financial management.

Despite Niyazov's claims that Turkmenistan is in a 'golden age', the country is in danger of becoming a fully-fledged failed state with massive unemployment, widespread heroin addiction, and woeful education and health-care systems. The collapse of Turkmenistan, in a region that is already highly unstable, could have disastrous consequences for peace and for the supply of energy. Niyazov's claim in the *Rukhnama* that 'within the borders of Turkmenistan ... the natural resources are the people's national wealth and property' sounds ever more hollow as time passes. It is time for Europe, Ukraine and Russia to act.

1. Turkmenistan gains its independence – and a dictator



Global Witness

The people of the Central Asian republic of Turkmenistan had reason to be optimistic in 1991, when their country gained its independence following the fall of the Soviet Union. With only a moderate population (five million compared to neighbouring Uzbekistan's 25 million), and large reserves of natural gas (these have yet to be fully explored, but are believed to rank about sixth in the world[2]), it looked as if the new Turkmen nation would prosper. 'In a few years we'll be wading in money up to here,' said a minister in 1994.[3]

The man in charge of the economic transition following the Soviet Union's collapse was Saparmurat Ataevich Niyazov, who had been First Secretary of Turkmenistan's Communist Party since 1985. In late 1991, the Communists renamed themselves the 'Democratic Party' and Niyazov was elected president for a five-year term, standing unopposed and winning 99.5% of the vote.[4] His rule was extended in 1994 through a referendum that cancelled the 1997 election. Official figures from Turkmenistan state that 99.99% of the voters endorsed the motion with a 99.9% turnout.[5]

In 1999, the Turkmen People's Council (Turkmenistan's supreme legislative body) changed the constitution to remove all limits on Niyazov's term of office[6] and in 2002, he was confirmed 'president-for-life'.[7] Although there is no official title, the fact that Niyazov is also the chairman of the People's Council makes him the country's *de facto* prime minister,[8] thus all lines of executive control pass to him. Regular sackings by Niyazov of members of his government make sure that he has no potential rivals (see box: *Chaos at the Central Bank*). In April 2005, Niyazov told the chairman of the Organization for Security and Cooperation in Europe

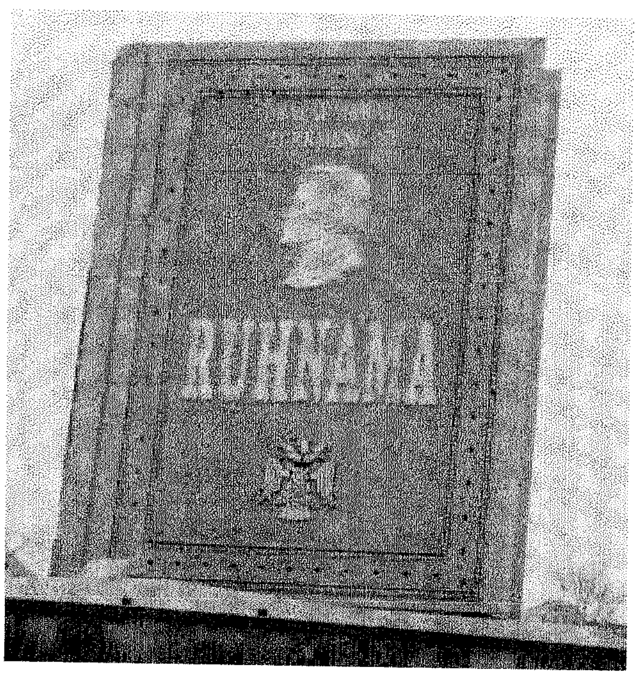
I have thanked God a hundred thousand times since I was five years old that I inherited honour, nobility, patience, highness of spirit and objectives from my parents in my body and soul. ...This becomes a fountain that will never dry up for my Turkmen people

Saparmurat Niyazov, President of Turkmenistan[1]

(OSCE), a regional security organisation, that he will retire in 2009.[9]

Since his ascension to the presidency, Niyazov has constructed a personality cult around himself to rival that of North Korea's Kim Jong Il. He is now referred to as 'Beyik Turkmenbashi', a title bestowed on him by the People's Council, meaning 'the Great Leader of all the Turkmen'. Niyazov's name is not the only one to have been changed: there is now a Turkmenbashi town (formerly Krasnovodsk), which lies in Turkmenbashi bay, a Turkmenbashi airport, a Turkmenbashi oil refinery, even a Turkmenbashi meteor that landed in Turkmenistan in 1998. In November 1999, a state newspaper seriously suggested that Turkmenistan should be renamed 'Turkmenistan of Saparmurat Turkmenbashi'.[10] And in 2002, he renamed the months of the year – January is now, of course, Turkmenbashi. The People's Council declared 2003 to be the year of Gurbansolte, Niyazov's late mother (who also graces the Turkmen calendar as the month of April), and 2004, the year of Atamurat, his father.

December 1998 saw the unveiling of the Arch of Neutrality – a tower 75 metres high, topped by a 12-metre golden statue of Niyazov that rotates to face the sun. His image adorns billboards and buildings across Turkmenistan, cartons of salt, packets of tea and bottles of vodka and brandy. His golden profile also appears in the corner of Turkmen television channels. Stories about him feature to such an extent on Turkmen television that people sometimes jokingly say 'change the Niyazov' instead of 'change the channel'.[11]



Twenty-foot motorised statue of Niyazov's holy book, Ashgabat.

Global Witness

Niyazov claims that there is no personality cult, that his idolisation is a spontaneous act of affection by a grateful people: 'If I was a worker and my president gave me all the things they have here in Turkmenistan, I would not only paint his picture, I would have his picture on my shoulder, or on my clothing … I'm personally against seeing my pictures and statues in the streets, but it's what the people want,' he said to CBS News in 2004.[12]

The ceremony that confirmed Niyazov as president-for-life saw him presented with a white robe and a palm staff, traditional symbols of the Prophet Mohammed.[13] His self-transformation from communist to something akin to a Turkmen prophet is confirmed by a book he has written, entitled the 'holy' *Rukhnama*, which has been designated the official Turkmen spiritual code, and is described on its official website as being 'on par with the Bible and the Koran.'[14]

Foreign companies working in Turkmenistan pay for the book to be translated into various languages; at the moment over 25 different versions exist, in languages ranging from German to Zulu to Braille. The book, full of quasi-philosophical meanderings and questionable poetry, has become the central text in Turkmen education. All state workers must pass a test in order to gain employment, as must learner drivers, who have to undertake a 16-hour *Rukhnama* studies course before they obtain their licence.

Not only is the *Rukhnama* itself studied in Turkmen schools, along with lessons on Niyazov's politics and teachings, but it also forms the basis of foreign language and mathematics lessons. The International Crisis Group's report on Turkmenistan in 2004 gave this example:

> Gulnara was reading the book *Rukhnama*. She read six pages on the first day. On the second day she read four more pages than on the first day. On the third day she read five pages less than on the second day. How many pages of *Rukhnama* did Gulnara read on the third day?[15]

The mandatory period of schooling in Turkmenistan has been reduced from eleven to nine years, making students ineligible for higher education anywhere in the world, other than in their home country, where higher education has been virtually abolished anyway. Places have been cut by thousands, and those that are available are prohibitively expensive for the average family, with admission being dependent on knowledge of the *Rukhnama*. To complete the circle, degrees obtained in other countries are no longer recognised in Turkmenistan – all public sector workers (and there is virtually no private sector) must have qualifications from Turkmenistan.